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## Chapter 1: Introduction

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance review of one selected project and two organisations as well as compliance audit of transactions of the various departments of the Government of West Bengal.

Compliance audit relates to examination of transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

Performance audit or value for money audit involves comprehensive review of the projects, programmes, schemes, organisations, etc. in terms of their goals and objectives. It aims at ascertaining the extent to which the expected results have been achieved from the available resources of money, men and materials expended. In the process it evaluates the economy, efficiency and effectiveness of development schemes, projects or organisations both financially and socio-economically.

The primary purpose of this Report is to bring to the notice of the Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the authority, planning and extent of audit, provides a synopsis of significant audit observations, a brief analysis of the expenditure of the Government for the last three years, budget and expenditure controls of the Government, response of Government to draft paras/reviews and follow up action on Audit Reports. Chapters 2 and 3 present findings/ observations arising out of the performance review of National Rural Health Mission (NRHM) and Working of State Urban Development Agency (SUDA) as well as compliance audit of various departments. The findings of integrated audit of Housing Department have been highlighted in Chapter 4 of the Report.

### 1.2 Auditee profile

There are 56 Departments in the State, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers. Office of the Principal Accountant

General (Audit), West Bengal conducts audit of 2805 units of various levels under those Departments. Besides, this office audits 98 bodies/authorities either substantially financed from the Consolidated fund of the State or audit of which have been entrusted by the Government under various sections of the C&AG's DPC Act.

The Works Audit Wing in the Office of the Accountant General (Receipt, Works and Local Bodies Audit), West Bengal is responsible for audit of eight Departments and directorates of the Government of West Bengal and four autonomous bodies (total 599 units spread all over the State).

The comparative position of expenditure incurred by the Government of West Bengal during the year 2008-09 and in the preceding two years is given in **Table 1.1**.

**Table 1.1: Comparative position of expenditure for 2006-07 to 2008-09**

(Rupees in crore)

Particulars	2006-07			2007-08			2008-09		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
<b>Revenue expenditure</b>									
General services	17862.09	39.21	17901.30	18794.27	72.31	18866.58	20700.51	74.93	20775.44
Social services	8178.11	3201.87	11379.98	9409.30	4053.70	13463.00	10823.92	5560.90	16384.82
Economic services	2950.10	1553.83	4503.93	2947.45	2606.36	5553.81	11637.21	2388.20	14025.41
Grants-in-aid	369.15	6.91	376.06	411.83	19.20	431.03	406.38	21.26	427.64
<b>Total</b>	<b>29359.45</b>	<b>4801.82</b>	<b>34161.27</b>	<b>31562.85</b>	<b>6751.57</b>	<b>38314.42</b>	<b>43568.02</b>	<b>8045.29</b>	<b>51613.31</b>
<b>Capital expenditure</b>									
Capital Outlay	8.64	2009.59	2018.23	19.25	2668.48	2687.73	(-) 23.68	3728.98	3705.30
Loans and Advances disbursed	85.91	1231.35	1317.26	46.98	1015.14	1062.12	64.40	695.25	759.65
Payment of Public Debt	3706.38	-	3706.38	4579.80	-	4579.80	4854.86	-	4854.86
Public Accounts disbursement	33185.41	-	33185.41	49076.77	-	49076.77	54915.45	-	54915.45
<b>Total</b>	<b>36986.34</b>	<b>3240.94</b>	<b>40227.28</b>	<b>53722.80</b>	<b>3683.62</b>	<b>57406.42</b>	<b>59811.03</b>	<b>4424.23</b>	<b>64235.26</b>
<b>Grand Total</b>	<b>66435.79</b>	<b>8042.76</b>	<b>74388.55</b>	<b>85285.65</b>	<b>10435.19</b>	<b>95720.84</b>	<b>103379.05</b>	<b>12469.52</b>	<b>115848.57</b>

Source : Finance Accounts

### 1.3 Authority for Audit

The Comptroller and Auditor General (C&AG) of India has been empowered to conduct audit in accordance with Articles 149 and 151 of the Constitution of India and C&AG's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of State Government departments under Section 13<sup>1</sup> of the C&AG's (DP&C) Act. Besides, there are units audited under Sections 14<sup>2</sup> (60 units), 19<sup>3</sup> (31 units) and 20 (1)<sup>4</sup> (11 units) of the said

<sup>1</sup> Audit of (i) all expenditure from the Consolidated Fund of State (ii) all transactions relating to Contingency Funds and Public accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets & other subsidiary accounts.

<sup>2</sup> Several non-Commercial Autonomous/ Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment etc. and substantially financed by the Government, are audited under Section 14.

<sup>3</sup> Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations or as per request of the Governor of the State in the public interest.

<sup>4</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government

Act. The principles and methodology adopted for audit are prescribed in the Regulation of Audit & Accounts, 2007, Auditing Standards and Performance Audit guidelines issued by the Indian Audit & Accounts Department.

#### **1.4 Organisational Structure/Jurisdiction of Audit Office**

Inspection Civil Wing of the Office of the Pr. Accountant General (Audit), West Bengal conducts audit of all expenditure incurred by Civil Departments (except those covered by the Works Audit wing) of the State Government, Autonomous Bodies and authorities, etc. (total 2903 units spread all over the State). The Works Audit Department under the Accountant General (Receipt Works & Local Bodies Audit), West Bengal is responsible for the audit of eight<sup>5</sup> Departments/ Directorates of the Government of West Bengal and four Autonomous Bodies comprising 599 units.

#### **1.5 Planning and Conduct of Audit**

Transaction audit is conducted as per the annual audit plan. The units are selected on the basis of risk assessment. Areas taken up for Performance Audit and Integrated Audit are selected on the basis of topicality, financial significance, social relevance and the findings of previous Audit Reports.

Inspection Reports are issued to the heads of units after completion of audit. Based on replies received, audit observations are either settled or further action for compliance is advised. Important audit findings are processed further as draft paragraphs for inclusion in the Audit Report of C&AG.

In case of Performance Audit and Integrated Audit, objectives and criteria are framed and discussed in entry conferences with the concerned organisation. After conducting of audit, the draft report is issued to the concerned Department. Formal replies furnished by the Department as well as views expressed by the Heads of Departments in exit conferences are carefully considered while finalising the material for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

#### **1.6 Significant audit observations**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, which impact the success of programmes. Topics of such performance Audits featuring in the recent years' State Civil Audit Reports included the flagship programmes of immense social relevance, namely, Sarva Shiksha Abhiyan, Nutritional Support to Primary Education (Mid Day Meal), Accelerated Rural Water Supply Programme, etc. Besides, the deficiencies noticed during

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<sup>5</sup> Public Works, Public Works (Roads), Public Works (Construction Board), Housing, Irrigation & Waterways, Public Health Engineering, Forest and Transport

assessment of internal control mechanism of some Government departments as well as during compliance audit of the Government departments/functionaries were also reported.

### ***1.6.1 Performance audits of programmes/activities/department***

The present report contains two performance audits (in Chapter 2) and Integrated Audit of Housing Department (Chapter 4).

Performance Audit of the National Rural Health Mission (NRHM), a GoI flagship scheme, was taken up in view of its immense social significance in terms of human development index. The State Urban Development Agency (SUDA) is the State level nodal agency for implementation of significant schemes of employment generation, poverty alleviation and upliftment of standard of living in urban slums. Working of SUDA was subjected to a performance review in view of the potential risk perception in implementation of schemes and handling of scheme funds. Housing Department, on the other hand, was selected for an integrated audit to ascertain whether the Department has effectively fulfilled the objective of providing affordable housing, given the recent increase in its activities.

The major observations arising out of the performance audits are outlined in the following paragraphs.

#### ***(i) National Rural Health Mission***

Government of India launched National Rural Health Mission (NRHM) for providing accessible, affordable, effective and reliable health care facilities in rural areas. Implementation of NRHM was affected by the absence of reliable baseline data, as household and facilities surveys were not conducted. Village Health and Sanitation Committees (VHSCs) had not been formed by Gram Unnayan Samitis. Rogi Kalyan Samitis are yet to adequately fulfill their role in monitoring and supervising the functioning of health care centres. The population-health centre ratio was much higher than that prescribed under NRHM. Health centres often lacked basic infrastructure (good quality building, electricity and water supply, etc.) as well as guaranteed facilities (inpatient services, operation theatre, labour room, pathological tests, X-ray, emergency care, etc.). Shortage of specialist medical and nursing staff at different levels of health centres continued to be a cause for concern. There was also substantial shortfall in engagement and training of Accredited Social Health Activists.

#### ***(ii) Working of State Urban Development Agency (SUDA)***

State Urban Development Agency (SUDA) is responsible for ensuring proper implementation and monitoring of centrally assisted schemes for employment generation and poverty alleviation in urban areas. Performance review on the activities of SUDA showed that the contemplated benefits of self-employment and wage-employment to accrue to the urban poor living below poverty line could not be fully realised. Inefficient financial management was apparent from the instances of irregular parking of substantial amounts of scheme funds in local fund account for years together, failure to avail of full amount of GoI

grants for different schemes and diversion of scheme funds for unintended purposes. Shortfall in construction of dwelling units and toilets was noticed under the Valmiki Ambedkar Awas Yojana and Integrated Housing and Slum Development Programme.

**(iii) Integrated Audit of Housing Department**

Housing Department constructs and maintains housing estates for State Government employees as well as general public in urban areas. Integrated performance review of the Housing Department showed that despite the enormity of the task, the Department had not developed any master plan or detailed action plans to achieve its mandate. Inefficient financial management resulted in substantial annual savings though the Department stated that housing requirements could not be met due to budgetary constraints. There were cost over-runs in completing housing projects owing to ineffective monitoring. Cases of projects remaining incomplete for years together owing to land acquisition disputes, faulty planning and defective construction leading to non-allotment of flats for two to ten years were also noticed under West Bengal Housing Board. Incorrect fixation of rent led to loss to Government, while collection of rent was in arrears in absence of monitoring.

**1.6.2 Compliance audit**

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of Government departments/ organisations. These are broadly categorised and grouped as (i) audit of non-compliance with rules, (ii) audit against propriety/ expenditure without justification, (iii) persistent/pervasive irregularities and (iv) failure of oversight/governance.

Some irregularities arising out of compliance audit are illustrated below:

**Failure to ensure installation of individual meters at Government quarters under Home (Police) and Health & Family Welfare Departments led to avoidable expenditure of Rs 4.52 crore on payment of electricity charges.**

*Paragraph 3.1.2*

**The decision of Kolkata Metropolitan Development Authority (KMDA) under the Urban Development Department to lease out the Sealdah commercial complex to a private party for 99 years resulted in a loss of Rs 18.80 crore on salami and in annual recurring loss of Rs 17.93 lakh on rent.**

*Paragraph 3.2.1*

**During Joint Venture transformation of a Public Sector Undertaking, the value of equity had been reduced by Rs 2 crore in view of its loan liability. Later on, Government itself took over the joint venture's liability and settled its loan. This resulted in extending an undue financial benefit of Rs 2 crore to the joint venture (74 per cent stake was held by the private strategic partner).**

*Paragraph 3.2.3*

Flawed decision of the Public Health Engineering department to construct a temporary structure led to loss of Rs 1.21 crore and avoidable expenditure of Rs 11.33 lakh on retrieval of material.

*Paragraph 3.2.4*

The Irrigation and Waterways Department's decision to undertake repair and construction works in a river during monsoon led to wasteful expenditure of Rs 1.38 crore.

*Paragraph 3.2.5*

The Irrigation and Waterways Department allowed inadmissible higher rate resulting in extra expenditure of Rs 70.41 lakh without valid justification, which was tantamount to undue financial benefit to the contractor in violation of the terms and conditions of the contract.

*Paragraph 3.2.6*

Failure of the Food and Supplies Department to ensure timely transfer of the sale proceeds of food grains of the Public Distribution System to the cash credit account led to an avoidable interest payment of Rs 94.84 lakh

*Paragraph 3.3.1*

Kolkata Municipal Corporation (KMC), without tender, awarded to a private company a contract for construction of multi-level car parking systems at Rowdon Street and Lindsay Street, Kolkata including shopping mall at Lindsay Street on Build, Own, Operate & Transfer basis. Audit scrutiny showed various instances of compromise in the financial interest of the KMC through control failure. Though land valuing Rs 29.14 crore was provided by the KMC, no part of the premium (Rs 24.66 crore) realised from leasing out of shopping outlets was passed on to KMC by the contractor. Though the revenues of the projects were to be shared, in absence of enabling provision in agreement, KMC could not check the actual revenue collected by the contractor leading to short realisation of revenue. On the other hand, undue advantage was extended to the contractor by allowing an interest free loan of Rs 3 crore resulting in loss of Rs 3.53 crore towards interest. The State Government was also deprived of stamp duty of Rs 2.04 crore owing to non-registration of the agreement.

*Paragraph 3.4.1*

Weak oversight coupled with inexperience of both field level officers and the agency under Irrigation and Waterways Department in executing geotubes work and non-compliance with recommendations of the Monitoring Committee led to unfruitful expenditure of Rs 3.59 crore.

*Paragraph 3.4.2*

The objective of establishing a Food Park in Malda remained un-fulfilled owing to lack of co-ordination between Food Processing Industries & Horticulture and Land & Land Reforms Departments. This also resulted in blockage of an investment of Rs 7.86 crore.

*Paragraph 3.4.4*

The Co-operation Department could not utilise a substantial portion of loans taken from the National Co-operative Development Corporation for funding construction of mini cold storages in the co-operative sector, leading to infructuous expenditure of Rs 1.01 crore on interest.

*Paragraph 3.4.5*

## 1.7 Budget and expenditure controls

A summary of Appropriation Accounts for 2008-09 in respect of the Government of West Bengal is given in **Table 1.2**.

**Table 1.2 : Summary of Appropriation Accounts for 2008-09** (Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	31151.75	10478.05	41629.80	39773.84	(-) 1855.96
	II Capital	3296.74	1294.95	4591.69	4038.19	(-) 553.50
	III Loans and Advances	958.93	83.67	1042.60	759.65	(-) 282.95
	IV. Public Debt	0.40	-	0.40	-	(-) 0.40
<b>Total Voted</b>		<b>35407.82</b>	<b>11856.67</b>	<b>47264.49</b>	<b>44571.68</b>	<b>(-) 2692.81</b>
Charged	IV Revenue	13125.10	31.53	13156.63	12815.32	(-) 341.31
	V Capital	-	3.69	3.69	2.61	(-) 1.08
	VI Public Debt-Repayment	5923.97	8035.56	13959.53	14118.77	(+) 159.24
<b>Total Charged</b>		<b>19049.07</b>	<b>8070.78</b>	<b>27119.85</b>	<b>26936.70</b>	<b>(-) 183.15</b>
<b>Grand Total</b>		<b>54456.89</b>	<b>19927.45</b>	<b>74384.34</b>	<b>71508.38</b>	<b>(-) 2875.96</b>

*Source : Appropriation Accounts*

The overall saving of Rs 2875.96 crore was the result of saving of Rs 3581.85 crore in 53 grants and 27 appropriations under Revenue Section and 43 grants and 20 appropriations under Capital Section, offset by excess of Rs 705.89 crore in eight grants under Revenue Section and nine grants under Capital Section.

### *1.7.1 Excess expenditure over available provisions*

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. Regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Excess expenditure amounting to Rs 28200.65 crore for the years 2003-2008 is yet to be regularised. Moreover, excess expenditure under 13 grants and four appropriations amounting to Rs 705.89 crore incurred during 2008-09 from the Consolidated Fund of the State over the amounts authorised by the State Legislature requires regularisation under Article 205 of the Constitution.

### *1.7.2 Unnecessary/excessive/inadequate supplementary provision*

Supplementary provision aggregating Rs 846.86 crore obtained in 24 cases (Rs 50 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision. On the other hand, in 10 cases, supplementary provision of Rs 8689.91 crore proved insufficient by more than Rs 1 crore in each case leaving an aggregate uncovered excess expenditure of Rs 689.06 crore.

### **1.8 Response of the Ministries/Departments to Draft Audit Paragraphs**

Finance (Budget) department issued directions to the departments in June 1982 to send their response to draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within one month.

The Draft paragraphs are forwarded to the Secretaries of the Ministries/ departments concerned drawing their attention to the audit findings and requesting them to send their response within prescribed time frame. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before the Legislature, it would be desirable to include their comments in the matter.

Draft Paragraphs proposed for inclusion in this report were forwarded to the Secretaries concerned between March 2009 and July 2009 through letters addressed to them personally.

Concerned Ministries/Departments did not send replies to 19 out of 34 Paragraphs featured in Chapters 2 to 4. The responses of concerned Ministries/Departments received in respect of 15 paragraphs have been suitably incorporated in the Report.

### **1.9 Follow up on Audit Reports**

Review of outstanding Action Taken Notes on paragraphs included in the Reports of the Comptroller and Auditor General of India, Government of West Bengal up to 2007-08 revealed that Action Taken Notes on 292 paragraphs (selected: 41 from 1997-98 to 2007-08 and not selected: 251 from 1981-82 to 2007-08) involving 45 Departments remained outstanding as of September 2009.

Further, Action Taken Notes on 31 Reports of the Public Accounts Committee, presented to the Legislature between 1991-92 and 2008-09 had not been submitted by 18 Departments to the Assembly Secretariat. The matter has been discussed in detail in para 3.3.3 of this Report.